

**Minutes (Draft) of the  
Cash Management Advisory Board  
October 31, 2018  
Via Telephone Conference Call**

**Attendees:**

William Desautelle, CMAB Member  
J. Victor Thompson, CMAB Member  
Lawrence Wilson, Assistant Treasurer, Cash Management  
Michael Terry, Principal Investment Officer, STIF  
Paul Coudert, Investment Officer, STIF  
Marc Gagnon, Securities Analyst, STIF

**Minutes:**

Assistant Treasurer Lawrence Wilson called the meeting to order at 2:41 p.m.

The minutes of the July 30, 2018 meeting were approved unanimously.

Mr. Terry stated that the Federal Reserve raised interest rates by 25 basis points in September and expects rates to go up another 25 basis points at their December 2018 meeting. The STIF portfolio, according to Mr. Terry, is positioned to take advantage of the increase in rates with both fixed and floating rate securities. According to Mr. Terry, Federal Reserve Chairman Powell indicated that he would risk raising rates too high rather than risk a spike in inflation. Mr. Terry believes the Fed is less inclined to worry about shorter term volatility in equity markets. Mr. Terry believes that even though earnings have come in on the lower end, the unemployment rate and job openings are bigger factors for the Fed to consider. Mr. Terry added that STIF has been buying nine to twelve month fixed rate paper as well a floating rate paper.

Mr. Thompson asked about the European banks, specifically DZ and Dexia, and wondered about their exposure to Italian sovereign debt. Mr. Terry stated that DZ exposure was very low and Dexia, according to Mr. Gagnon, is fully supported by France, Belgium and Luxemburg. Mr. Thompson asked about the Scandinavian banks. Mr. Terry stated that the Scandinavian banks are some of the strongest and well capitalized in the world.

Mr. Desautelle commented about the fact that STIF and EIP total \$9 billion. Mr. Wilson stated that the state's cash is at historical highs for this time of year with tax revenues having exceeded projections and bond balances at modest levels.

Mr. Coudert stated that for the quarter ending September 30, 2018, STIF earned an average annualized yield of 1.98 percent versus 1.85 percent for the iMoneyNet benchmark. For the one year period ending September 30, 2018, STIF earned 1.63 percent while the benchmark earned 1.50 percent. According to Mr. Coudert, STIF's current yield is 2.17 percent with a weighted average maturity of 36 days and a weighted average life of 80 days.

Mr. Coudert stated that STIF had contributed to the reserve every day since the board last met in July of this year. As such, STIF reserves now total \$63.7 million with approximately \$2.3 million having been added in the 2019 fiscal year. According to Mr. Coudert, daily liquidity is approximately \$3.0 billion or 38 percent of the fund. In addition, 37 percent of the portfolio is invested in securities with some sort of government support such as government backed repurchase agreements, agency securities, and deposits backed by Federal Home Loan Bank letters of credit.

Mr. Coudert stated that the Extended Investment portfolio has assets of nearly \$1.5 billion earning 2.33 percent with an average life of 30 days. According to Mr. Coudert, EIP is comprised of 52 percent CD's, 46 percent CP and the remaining balance is split between agency securities and repurchase agreements. Mr. Desautelle asked when the EIP money would be needed. Mr. Coudert stated that we discuss the State's cash requirements on daily basis. According to Mr. Coudert, the longest maturity is in April 2019 with the rest laddered in from November through March.

With no further business, Mr. Wilson adjourned the meeting at 3:15 p.m.